

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

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FM US MISSION EC BRUSSELS

TO SECSTATE WASHDC 3292

INFO ALL EC CAPTIALS 3292

US MISSION OECD PARIS 4298

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LIMITED OFFICIAL USE EC BRUSSELS 2592

E.O. 11652: N/A

TAGS: ETRD EIND EGIN EEC

SUBJECT: EC COMMISSION PLANS FURTHER ACTIONS ON STEEL

REF: EC BRUSSELS 2080

1. THE EC COMMISSION IS CONSIDERING FURTHER ACTION TO HELP THE STILL-WEAKENING EC STEEL INDUSTRY. DURING TWO RECENT SESSIONS THE COMMISSION DISCUSSED AT LENGTH, PROPOSALS FOR ENHANCING THE IMPACT OF THE SIMONET PLAN AND FOR RESTRUCTURING THE STEEL INDUSTRY.

2. COMMISSIONER DAVIGNON IS PUTTING FORTH THESE PROPOSALS TODAY, MARCH 17, BEFORE THE ECSC CONSULTATIVE COMMITTEE AND WILL ASK THE MRCH 25-26 EUROPEAN COUNCIL TO GIVE ITS OPINION ON THE BROAD OUTLINES OF THE PLAN. THE NEW STEEL PLAN, WHICH COMMISSION HOPES TO ADOPT BY APRIL 7, WOULD CONTAIN THE FOLLOWING ELEMENTS:

-- OBLIGATORY MINIMUM PRICES FOR REINFORCING RODS.

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-- MINIMUM REFERENCE PRICES FOR OTHER MAJOR PRODUCT CATEGORIES.

-- A SURVEILLANCE IMPORT LICENSE SYSTEM FOR COMMUNITY STEEL IMPORTS COMBINED WITH STEPPED-UP EFFORTS TO SECURE VOLUNTARY RESTRAINT ON THE PART OF THE EC'S STEEL TRADING PARTNERS. THE LICENSE SYSTEM IS

SUPPOSED TO BE PURELY FOR MONITORING PURPOSES BUT THE COMMISSION OBVIOUSLY HOPES THAT CLOSE SURVEILLANCE WILL DISCOURAGE SOME OVERLY AGGRESSIVE EXPORTERS.

-- GREATER USE OF ECSC FINANCIAL RESOURCES FOR INTEREST SUBSIDIES, INVESTMENT CREDITS, OR INDUSTRIAL RECONVERSION WHERE THE AIM IS TO RESTRUCTURE PRODUCTION TO ELIMINATE EXCESS CAPACITY.

3. ACCORDING TO COMMISSION OFFICIALS, THE PRODUCTION OF REINFORCING RODS HAS BEEN HIT HARDER THAN ANY OTHER SECTOR OF THE INDUSTRY. PRICES FOR REINFORCING RODS HAVE DROPPED BY ABOUT 50 PERCENT SINCE MID 1976 AND CAPACITY UTILIZATION HAS FALLEN AS LOW AS 40 PERCENT FOR SOME FIRMS. THE PRIMARY CAUSE FOR THIS MOST RECENT DECLINE, IN THE OPINION OF COMMISSION STEEL OFFICIALS, IS THE REFUSAL OF SOME ITALIAN FIRMS IN BRESCIA TO RESPECT THE VOLUNTARY DELIVERY TARGETS WHICH THE COMMISSION PUT IN FORCE JANUARY 1.

4. WHILE THE SIMONET PLAN AUTHORIZES MINIMUM REFERENCE PRICES IF VOLUNTARY QUANTITATIVE GUIDELINES PROVE INSUFFICIENT TO RESTORE THE MARKET'S HEALTH, OBLIGATORY MINIMUM PRICES ARE A NEW ELEMENT OF COMMISSION THINKING AND WOULD REQUIRE CONSULTATION WITH THE ECSC CONSULTATIVE COMMITTEE AND THE EC COUNCIL. (IN CONTRAST TO ARTICLE 58 OF THE ECSC TREATY WHICH REQUIRES APPROVAL BY THE COUNCIL FOR MANDATORY PRODUCTION QUOTAS, LIMITED OFFICIAL USE

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ARTICLE 61 ALLOWS THE COMMISSION TO INTRODUCE MANDATORY MINIMUM PRICES AFTER ASKING FOR THE OPINION OF THE CONSULTATIVE COMMITTEE AND THE COUNCIL.)HINTON

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